LARGE EMPLOYERS' HEALTH PLAN DESIGN SURVEY: REDUCING COSTS WHILE LOOKING TO THE FUTURE

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This survey is a look forward to what employers are planning for 2016. The survey was fielded May/June of 2015, just as large employers are finalizing plans for next year.

Employers were asked to provide information on their 2016 plan offerings, including:
- Medical trend for 2016
- Predictions on when plans hit the excise tax and steps taken to avoid the tax
- Consumer-directed health care
- Employee cost-sharing
- Pharmacy benefits
- Delivery reform

140 members of the National Business Group on Health responded to the survey.
**Industry Breakdown**

Number of Respondents = 140

<table>
<thead>
<tr>
<th>Industry</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technology/ Telecommunications</td>
<td>17%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>13%</td>
</tr>
<tr>
<td>Banking/Financial</td>
<td>13%</td>
</tr>
<tr>
<td>Retail/Hospitality/Food Service</td>
<td>13%</td>
</tr>
<tr>
<td>Consumer Products/ Grocery Manufacturing</td>
<td>13%</td>
</tr>
<tr>
<td>Insurance</td>
<td>13%</td>
</tr>
<tr>
<td>Health Care Providers</td>
<td>8%</td>
</tr>
<tr>
<td>Energy Production/Utilities</td>
<td>8%</td>
</tr>
<tr>
<td>Other</td>
<td>6%</td>
</tr>
</tbody>
</table>

Other sectors are represented by the same 8% share.
Nearly half of respondents have at least 25,000 employees

Number of Respondents= 140

Employer Size
Key Takeaways for 2016

1. Health care costs expected to increase by 5%, net of plan design changes
2. High cost claims remain major cost driver
   – Specialty pharmacy has moved up to second most costly driver
3. Nearly half of large employers will have at least one of their health plans trigger the “Cadillac” excise tax in 2018
4. Move to Consumer Directed Health Plans (CDHPs) levels off
5. Employers’ focused on:
   – Aggressive management of specialty pharmacy
   – Consumer advocacy
   – Delivery system optimization
6. Employers’ less focused on:
   – Condition management/disease management
   – Interest in private exchanges

Consumers should see less disruption in plan offerings and modest premium increases, consistent with prior years
Q: What percentage increase in health care costs are you projecting before and after plan design changes?

<table>
<thead>
<tr>
<th>Year</th>
<th>Before plan design changes</th>
<th>After plan design changes</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>7.0%</td>
<td>5.0%</td>
</tr>
<tr>
<td>2015</td>
<td>6.0%</td>
<td>5.0%</td>
</tr>
<tr>
<td>2016</td>
<td>6.0%</td>
<td>5.0%</td>
</tr>
</tbody>
</table>

Note: Projections are based on employers who had estimates for each year. Not all respondents were able to provide estimates for cost projections. For 2015, 114 respondents were able to provide cost projection before and after plan design changes. For 2016, 105 employers were able to provide projections before plan design changes, and 88 provided projections for after plan design changes. Projections for 2014, are based on 111 responses to last year’s survey.
Q: What do you consider the top 3 cost drivers of rising health care costs?
(Number of Responses=139)

<table>
<thead>
<tr>
<th>Cost Driver</th>
<th>1 = Highest Driver</th>
<th>2 = Second Highest Driver</th>
<th>3 = Third Highest Driver</th>
</tr>
</thead>
<tbody>
<tr>
<td>High cost claimants</td>
<td>43%</td>
<td>21%</td>
<td>8%</td>
</tr>
<tr>
<td>Specialty pharmacy</td>
<td>17%</td>
<td>32%</td>
<td>21%</td>
</tr>
<tr>
<td>Overall medical inflation</td>
<td>16%</td>
<td>5%</td>
<td>17%</td>
</tr>
<tr>
<td>Specific diseases or conditions</td>
<td>15%</td>
<td>17%</td>
<td>21%</td>
</tr>
<tr>
<td>Outpatient care (i.e., physician visits)</td>
<td>3%</td>
<td>6%</td>
<td>2%</td>
</tr>
<tr>
<td>Hospitalization (i.e., inpatient care)</td>
<td>8%</td>
<td>13%</td>
<td>2%</td>
</tr>
<tr>
<td>Outpatient procedures</td>
<td>4%</td>
<td>2%</td>
<td>1%</td>
</tr>
<tr>
<td>ACA compliance</td>
<td>6%</td>
<td>5%</td>
<td>1%</td>
</tr>
<tr>
<td>Geographic variation in cost/utilization</td>
<td>3%</td>
<td>3%</td>
<td>1%</td>
</tr>
<tr>
<td>Imaging</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Other</td>
<td>3%</td>
<td>2%</td>
<td>1%</td>
</tr>
</tbody>
</table>

Note: Other responses included: pharmacy; maternity; chronic diseases; and an aging workforce.
Q: If you made no changes when do you expect your plan with the highest enrollment in 2015 will trigger the excise tax? When do you think your first plan would hit the excise tax if you made no plan changes?

In 2018, nearly half of large employers will have at least one of their health plans trigger the “Cadillac” excise tax.

Note: These numbers are based on respondents who had an estimate of when their plans would trigger the excise tax. Estimates for the plan with the highest enrollment are based on 102 responses, and estimates for the first plan to hit the excise tax are based on 110 responses.
Q: What actions have you taken or will take to minimize the impact of the excise tax? (Number of Responses=140)

Add or expand tools to encourage plan participants to be better consumers
- 2015: 73%
- 2016: 14%
- Considering for 2017+: 3%

Implement or expand account based CDHPs
- 2015: 57%
- 2016: 19%
- Considering for 2017+: 7%

Add or expand incentives/disincentives to engage employees in wellness/health management programs
- 2015: 53%
- 2016: 17%
- Considering for 2017+: 14%

Increase employee cost sharing
- 2015: 42%
- 2016: 11%
- Considering for 2017+: 16%

Reduce spousal subsidy or implement spousal surcharge
- 2015: 37%
- 2016: 15%
- Considering for 2017+: 13%

Reduce “richness” of plans*
- 2015: 38%
- 2016: 4%
- Considering for 2017+: 31%

Eliminate high cost plans
- 2015: 30%
- 2016: 37%
- Considering for 2017+: 4%

Move to full replacement CDHP strategy*
- 2015: 33%
- 2016: 26%
- Considering for 2017+: 33%

Add or expand high performance networks, ACOs, primary care medical homes or other similar delivery models
- 2015: 27%
- 2016: 3%
- Considering for 2017+: 50%

Move to a defined contribution model
- 2015: 10%
- 2016: 22%
- Considering for 2017+: 1%

*Reducing the richness of plans and moving to a full replacement CDHP strategy were not asked in last year’s survey.
Q: With your planned changes, how long do you expect to be able to delay the impact of the excise tax?

Among employers that will be able to delay the impact of the tax, the median delay is 3 years for their first plan to hit the tax, but only 2 years for their plan with the highest enrollment.
Employer Tactics
Tactics on the Rise, Holding Steady and on the Decline

On the Rise:
- Aggressive management of specialty pharmacy costs
- Offering telehealth
- Employee advocacy tools/assistance for claims service
- Optimizing delivery system: accountable care organizations/centers of excellence

Holding Steady:
- Consumer-directed health plans
- Price transparency tools
- Decision support tools

On the Decline:
- Condition management/disease management
- Interest in private exchanges
Availability of CDHPs among Employers

Q: Will you offer a consumer-directed health plan?

In 2016, the maximum HSA amount an employee could receive from their employer is $750, up from $600 this year.
Q: In your plan with the highest enrollment in 2015, do you plan on making any changes to the cost sharing provisions of the plan? (Number of Responses=140)

Employee percentage (%) contribution to the premium for employee only coverage
- Small increase: 34%
- Medium to large increase: 8%

Employee percentage (%) contribution to the premium for family coverage
- Small increase: 33%
- Medium to large increase: 14%

In-network deductibles for employee only coverage
- Small increase: 24%
- Medium to large increase: 3%

In-network deductibles for family coverage
- Small increase: 23%
- Medium to large increase: 4%
Q: Which methods will you use to manage specialty pharmaceuticals?
(Number of Responses=134)

- Step therapy: 74% (2016), 70% (2015)
- Prior authorization for drugs under pharmacy benefit: 77% (2016), 76% (2015)
- Quantity limits: 76% (2016), 70% (2015)
- Use of freestanding or PBM’s specialty pharmacy: 55% (2016), 53% (2015)
- Prior authorization for drugs under medical benefit: 46% (2016), 46% (2015)
- Mandatory mail order for select drugs: 33% (2016), 46% (2015)
- Approval only for a limited initial supply: 29% (2016), 35% (2015)
- Employee price transparency program: 29% (2016), 34% (2015)
- High-touch case management: 21% (2016), 18% (2015)
- Site of care management: 29% (2016), 32% (2015)
- Preferred retail network: 17% (2016), 26% (2015)
- Fourth-tier or higher formulary placement: 6% (2016), 7% (2015)
- Exclude non-cancer specialty drugs from medical plan: 5% (2016), 7% (2015)

Note: Other responses included: employees pay higher copay for maintenance medications at retail pharmacy after the third fill.
### Employer Tools and Programs

**Q: Which of the following tools or programs will you have or offer to employees?**

(Number of Responses=140)

<table>
<thead>
<tr>
<th>Tool/Program</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nurse coaching for care/condition management</td>
<td>81%</td>
<td>85%</td>
</tr>
<tr>
<td>Disease management</td>
<td>81%</td>
<td>84%</td>
</tr>
<tr>
<td>Nurse coaching for lifestyle management</td>
<td>73%</td>
<td>73%</td>
</tr>
<tr>
<td>Self-service decision support tools (e.g., online health content)</td>
<td>73%</td>
<td>73%</td>
</tr>
<tr>
<td>Price transparency tools</td>
<td>71%</td>
<td>71%</td>
</tr>
<tr>
<td>Medical decision support/second opinion services*</td>
<td></td>
<td></td>
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<tr>
<td>Employee advocacy tools/services for claims assistance (e.g., bill pay, claims resolution, etc.)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>High-touch health concierge services (e.g., program that helps employees navigate the health care system)*</td>
<td>29%</td>
<td></td>
</tr>
</tbody>
</table>

* Denotes options that were not asked in last year's survey.
Large Employers’ Use of Telehealth

Q: Will you offer telehealth as an option to employees? (Number of Responses=140)

- 52% Yes, through one (or more) of our health plans
- 22% Yes, through a direct contract with a provider/vendor
- 16% No, but considering
- 6% No, not considering
- 4% Don’t know

There has been considerable growth in employers offering telehealth. Next year, 74% of employers offer telehealth services to their employee, up from 48% this year.
Q: In 2016, will you be actively pursuing an accountable care organization (ACO) strategy?  
(Number of Responses=140)

- Yes, either through direct contracting with an ACO or pushing health plans to pursue ACOs: 21%
- No, some of our plans may include ACOs but it isn't something we are looking for or promoting: 60%
- Don’t know: 19%
Q: Have you done or are you considering doing any of the following? (Number of Responses=140)

- Moving retirees to the private exchanges: 18% in 2015, 6% planned for 2016, 26% considering for 2017+
- Moving active employees to private exchanges: 24% in 2015, 2% planned for 2016, 1% considering for 2017+
- Eliminate health care coverage for all active employees and pay the penalty: 2% in 2015, 2% planned for 2016, 1% considering for 2017+

Last year, 35% of employers were considering private exchanges for active employees.
Top Behaviors Employers are Focusing on In 2016

Q: For 2016, please select the top three behaviors you will be focusing/targeting in your workforce?
(Number of Responses=127)

- Consumer engagement in health care decision-making: 37%
- Increasing physical activity/decreasing sedentary behavior: 22%
- Weight management: 17%
- Tobacco cessation: 9%
- Improving resiliency/stress reduction: 4%
- Improving financial wellness: 2%
- Increase social/community well-being at work: 2%
- Improved sleep/energy: 1%
- Other: 1%

Note: Other responses included: chronic disease management; getting employees to be aware of their health risks; and reducing emergency room utilization.
What Employees Can Expect During Annual Enrollment

- Less plan disruption in health plan offerings
- Small increases in premium contributions
- Employers will continue contributing to HSAs to assist employees in CDHPs
- More resources & tools to help employees and their families navigate the health care system
  - Health care shopping tools
  - Health care decision support resources
  - Telehealth

To maximize benefits, employees should take advantage of HSAs as well as tools and resources available such as telehealth and decisions support tools.